

September 16, 2011

Mr. Tom Umberg, Chair
California High-Speed Rail Authority
770 L Street #800
Sacramento, CA 95814

Dear Tom,

Following individual discussions that members of the Peer Review Group have had with members of the Authority, it may be useful to confirm our concern on the timing of the submission of the 2011 Business Plan. The fact that the two new Authority members, recently appointed by the Governor, have had little to no time to review the Plan, further complicates the issue. The Group is aware of the deadline of October 14 for the 2011 Business Plan and we fully understand the Authority's desire to meet the deadline.

The Group has repeatedly stressed in its reports the fact that the Authority plans to make construction commitments in the near future that will fix the direction of the project for many years to come. The 2011 Plan will furnish the last opportunity available to the Governor and Legislature to assess the plans for the project and furnish appropriate policy and financial guidance. In addition, reports by the State Auditor, the Legislative Analyst (LAO) and the Group have raised substantial questions about the 2008 and 2009 Business Plans including: demand forecasts, investment costs, operating costs and revenues, lack of a clear business model and incomplete risk analysis.

In its July 1, 2011 letter to Chairman Lowenthal, the Group stated "...a consistent message ... has been our doubts whether we could render a favorable opinion on an application for use of Prop 1A funding" in the absence of answers to the many questions posed concerning the prior Business Plans. Because of the impending deadline imposed by Federal funding, the 2011 Plan will be a defining document: if it addresses the concerns fully, favorable evaluations will lend confidence to the project; if it has gaps or errors, the risks of near-term decisions will be greatly increased.

There will always be risks and uncertainties in the project; however, it would be unfortunate if rigid adherence to the October 14 deadline causes the 2011 Plan to be less complete or accurate than would be possible with a delay of a few weeks or a month or so. We urge the Authority to review the drafts of the 2011 Plan with care and, if the Plan would be measurably improved with such a delay, we will support you in a request for more time. Very frankly, our experience with projects of this type has shown that patience and careful planning at the beginning always pay off in the end.

Sincerely,

A handwritten signature in blue ink, reading "Will Kempton", followed by a horizontal line.

Will Kempton
Chairman
California High-Speed Rail Peer Review Group

C: Senator Mark DeSaulnier, Chair, Senate Transportation and Housing Committee
 Senator Ted Gaines, Vice Chair, Senate Transportation and Housing Committee
 Senator Alan Lowenthal, Chair, Senate Select Committee on High-Speed Rail
 Assembly Member Bonnie Lowenthal, Chair, Assembly Transportation Committee
 Assembly Member Kevin Jeffries, Vice Chair, Assembly Transportation Committee
 Assembly Member Cathleen Galgiani
 Senator Joe Simitian
 Legislative Unit, Office of the Governor
 Mr. Roelof Van Ark, Chief Executive Officer, California High-Speed Rail Authority
 Members, California High-Speed Rail Peer Review Group